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The MANAGEMENT REVIEW

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The MANAGEMENT REVIEW

September, 1932

The Trade Association—A Form of Business Organization*

By EARL TURNER, Manager,
Automotive Electric Association

THE trade association differs from all other forms of business organization in two major respects—control and complexity. The simplest form of business organization is the single proprietorship. Then comes the partnership, the corporation, the holding company, and finally—the trade association. The single proprietor exercises absolute control over his business; partners share control; corporations are controlled by the board of directors, and the holding company exercises a considerable measure of control over the various corporations in which it holds stock ownership.

The trade association differs from these forms of business organization due to the fact that it cannot exercise any definite control over the business units which constitute its membership. It is nevertheless by far the most complex form of business organization. Its membership may comprise the entire range of the other forms of business organization—from holding companies down to single proprietors. Furthermore, and particularly in the vertically integrated type of association, the membership may represent a wide range of activities—natural resource production, fabrication, marketing and distribution.

When the varied character of membership is taken into consideration in connection with the absence of control, there can easily be acquired a clear

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The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

conception of the problems encountered in successful trade association management. Complexity plus lack of control indicates the tremendous amount and variety of detailed information which the trade association executive must have, in historical as well as in current form, in regard to members, their products, and their policies, for use as a background for his administrative work.

Origin of the Trade Association

The trade association form of organization had its birth several hundred years ago in what was known as "guilds," which were organizations of skilled craftsmen in various industries. While there were quite a number of trade associations in the United States prior to the Great War, the value of this form of organization was not generally recognized until the War Industries Board found it necessary to have every producing industry definitely organized in order that war materials of every kind and description could be produced quickly and efficiently. In recent years the United States Department of Commerce has recognized the value of this form of business organization and has done a great deal to further the progress of trade associations.

What is going to be the future of the trade association? Quite a number of organizations of this type have been abandoned during the business depression, either because they did not render a service to their respective industries that justified the cost, because a considerable number of members were actually unable to pay dues, or because the majority of the members could not see that the service rendered by the association justified the cost of operating the organization. On the other hand, there are several hundred more associations in existence today than there were in 1929, which means that an ever increasing number of industries are recognizing the value of this form of organization.

National "Plans"

The world has enjoyed booms and suffered panics, alternating periods of prosperity and depression, for at least 300 years. The old philosophy was that misery and suffering were the natural lot of humans. It has been only during comparatively recent years that people generally have begun to realize that possibly something could be done to make business depressions less severe. This has been particularly true during the past two years. Thousands of the most able minds all over the world have been giving serious attention to possible remedies. Their recommendations are all described as national plans and the organization they would establish to execute the plan is described as a national economic council. The purpose of such a council would be to confer with accredited representatives of manufacturers, of farmers, of mining companies, of railroads, of banks, of labor, of distributors, of merchants, etc., in an effort to determine the causes of such a business depression as we have been

going through since the latter part of 1929, and to see what can be done to prevent a return of such conditions in the future.

It is a significant fact that the proponents of national economic planning recognize the value of the trade association form of business organization. For illustration, the first paragraph in Mr. Gerard Swope's plan reads as follows: "All industrial and commercial companies (including subsidiaries) with 50 or more employees and doing an interstate business, may form a trade association which shall be under the supervision of a federal body referred to later."

The U. S. Chamber of Commerce says, in regard to its plan: "The council would cooperate closely with existing trade associations, and it should encourage such trade associations to establish strong central committees or economic councils to study in detail the problems of coordination of production and consumption, stabilization of employment, etc., within their particular industries."

On December 21, 1931, Senator La Follette introduced a bill in the Senate proposing that a national economic council be appointed by the President by and with the advice and consent of the Senate. One of the duties specified for this council is defined as follows:

"The council shall initiate the organization of councils or trade associations within the various major branches of production, distribution and finance to consider economic questions affecting their operations. The council shall consider recommendations submitted by such councils or trade associations for the adoption of new policies and measures for putting them into effect."

Value of the Trade Association

It would be difficult to conceive of any stronger evidence of the value of the trade association form of business organization than the statements contained in these leading plans for relieving economic distress. From the standpoint of representative membership, the La Follette bill contains a statement of particular significance, namely: "The national economic council shall not recognize any given trade association unless it is truly representative of the economic interests within the particular branch of production or distribution or finance in which it is organized." That statement should be taken seriously to heart by that class of business men in any industry who refuse to assume the responsibility of membership in an association organized and conducted for their benefit, and who are satisfied to let a limited number of willing workers shoulder the expense of time and effort which are absolutely necessary, not merely to make the industry more efficient and progressive, but in some cases actually to keep it from passing out of existence entirely.

It is probably not an exaggeration to say that we have reached a condition in American business in which if any given industry is not strongly

organized and intelligently directed, one of two things will happen. Either the industry will pass out of existence entirely, or the conditions in that industry will be such that it will be impossible for anyone to make a profit.

This reference to profit should not be interpreted as indicating a need for price control or price agreements. The thought in mind is that of present day inter-industry competition—that industries will rise or fall in proportion to relative ability or efficiency just as in the case of individuals.

The Predatory Price Cutter

On the assumption that an economic council of one kind or another may be established, it is interesting to speculate on the possibilities for constructive accomplishment through the cooperation between the economic council and trade associations. The case of the predatory price cutter may be considered as an illustration. Many industries will recognize the predatory price cutter as the man who starts up in business by quoting prices below his cost of production for the purpose of getting a foothold and with the expectation of increasing prices after he has become established. This is a practice with which many lines of business are afflicted. A man may be a fairly good mechanic who has saved some money and decided that he ought to go into business for himself. He may be able to borrow some at the bank, or from friends, or relatives, but his total capital is still not sufficient to start in business on a sound basis. He buys some second-hand machinery, equipment or tools, or merchandise at a sacrifice price from some outfit that has failed. He is likely to start in business in a community in which there are already too many people in the same kind of business. He knows that he has to quote ridiculous prices to get started. Other firms feel obliged to meet these prices in order to retain business, so that the general price level becomes entirely demoralized. Wages have to be reduced in order that competing firms may not lose too much money. A certain number of employees are discharged in order to keep down the overhead, with the result that the general buying power of the community is reduced and eventually the prosperity of every inhabitant is affected.

So the newcomer finds that all he has accomplished is a reduction of the general price level. He is obliged to continue quoting prices below his cost and eventually fails.

Then he gets a job somewhere else, works for a while, then starts this process again. While he may be a good mechanic or a good salesman, he certainly has not the qualifications for managing a business. This practice greatly contributed to the alarming increase in bankruptcies even prior to 1930.

Is there any real reason why such unqualified individuals should be permitted to wreck the business in which they are engaged? Would it not be better if there were some Board or agency established in each industry or

in each community, before which a man who has once failed in business would be required to appear and prove his qualifications for re-entering business on his own account?

It is in connection with such a condition that banks and trade associations, whether national or local, could cooperate in a most constructive fashion. It is quite probable that, if a national economic council should be established, scores of industries will outline to the council the troubles caused by the misfit and the unqualified, and request that the council take steps to introduce legislation which will enable representatives of honest industries, in cooperation with banks, to say whether or not the man who has a record of failure in business management should again be permitted to set up in business on his own account.

Why Have an Association?

Why should any industry be strongly organized? For the very obvious purpose of protection against new competition. There is a tremendous amount of idle capital in the country, as well as a tremendous number of idle men. Some of the idle men have some of the idle money, and they are naturally looking for an opportunity to enter a good business. In these days there is no use in putting money into new factories, or additional mines, or additional farms, as we now have too many of all three. The only possible way by which an established industry can protect itself against new competition is to be so capable and efficient that new men and new money will look carefully before investing.

Savings realized through highly efficient operation, over and above a reasonable standard of profit, should be passed on to customers in the form of lower prices. This should be done not only in justice to customers, but because in times like the present and in times such as we are likely to have during the next few years, no industry can afford to be known as unusually profitable, because that condition attracts idle men and idle capital, to which reference has just been made. I shall cite an illustration. A few years ago one of the building supply industries maintained one of the most powerful trade associations in the entire history of business. They did a tremendous amount of highly effective cooperative advertising on behalf of their product. The character of construction of practically all kinds was profoundly influenced in the direction of using this particular material. The result was that millions of new capital flowed into this industry, hundreds of new factories started, all with the expectation of getting a share of easy profits. This naturally broke the price structure in the industry, with the result that during the past two years it is probable that no manufacturer and no dealer has made a dollar of profit on the millions of dollars worth of this material that has been sold.

There is a certain class of individuals who seem to consider their mem-

bership in a trade association as a form of protection against new entrants in the industry. Such mental cobwebs should be vigorously brushed away. New entrants with new ideas and new equipment are likely to be more efficient than many of the old timers, because the newcomer realizes that it is necessary for him to exert every ounce of energy in order to establish himself.

It is not the function of a trade association to defend present members in the observance of high-cost, time-worn, inefficient methods. It is the function of the association to keep all members informed of changing conditions and of new and improved methods, and to organize and set in motion every possible influence within the industry which will tend to persuade the backward units to study their costs and methods carefully and to act upon the information thus acquired.

Furthermore, the highly efficient industry is likely to be an expanding industry and under such conditions present members must look forward to the admission of new capital. It is in such a situation that the trade association can be of outstanding service to such new capital by directing it to a suitable place.

The Trade Association and the Chain Store

This discussion would not be complete if we did not say something about the association form of organization in relation to the chain form of organization. It is perhaps not too much to say that if every independent in this country had kept up with the changing times and conditions, if a reasonable majority of them had done the things they should have done in the way of managing and conducting their businesses more efficiently and in more up-to-date manner, we would not today have the great number of chain organizations. As stated in the beginning, the chief difference between the trade association form of organization and all other forms of business organization, is in regard to control. Every unit in a chain system is absolutely controlled from the central office. If a trade association renders valuable service to its members, those members will have the advantage of information in regard to management policies, merchandising methods, accounting, etc., that the chain headquarters provides for its various units. The chief difference is that the association is not in position to demand that its members do this, that or the other. Each member still has his personal liberty. Whether or not the individual joins the parade and does all of the things recommended, depends upon whether or not he really wants to make progress. Consequently the trade association form of organization is really a protector of the economic and personal freedom of the independent business unit.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

How We Run Our Business on a Budget

Employing a normal force of 1,000 workers and manufacturing a variety of products, including electrical measuring instruments, potentiometer pyrometers, heat-treating furnaces and automatic combustion control apparatus, the Leeds & Northrup Co. plans and budgets its business successfully. The company's treasurer describes the various stages in the development of the budget, how to set up the master budget and the beneficial results obtained from the budget system.

He also lists some of the conditions which should exist before any attempt is made to work out a budget: 1. well-defined lines of authority; 2. department heads who will assume responsibility without quibbling; 3. close cooperation between all departments; 4. a well planned accounting system; 5. a budget director with a good working knowledge of conditions, tact and ingenuity; 6. a management which is sold 100 per cent on the idea and is willing "to play the game." By C. A. White. *The Iron Age*, July 21, 1932, p. 99:3.

The Farm Situation Today

Although no one can deny that agricultural conditions as a whole present a gloomy picture, there are a few cheering elements. For instance, more than half the nation's farms today are free of mortgage debt. Furthermore, whereas farm values on March 1 of this year were down almost 50 per cent from their peak, stock

values have fallen about 82 per cent. On the other hand is the tremendous drop in farm income; the decline in prices the farmer has received for his products has far outweighed the decline in prices of products he has to buy. The situation is reviewed and some of the plans for improvement discussed. *Nation's Business*, August, 1932, p. 35:3.

Government and Business

The need for a national economic council, familiar with the ways of business, to supplement existing political machinery is discussed by the former board chairman of the National Chamber of Commerce. Mr. Barnes reviews the experience of the Chamber of Commerce in coordinating the judgment of a constituency which has grown to 1,300 local and regional commercial organizations and about 500 trade associations since its organization 20 years ago for the purpose of establishing immediate relations between government activities and the commercial forces of the country.

Mr. Barnes urges the conclusion submitted previously to the National Chamber of Commerce by a special committee on continuity of business and employment, recommending among other things the creation of a national economic council which should be an advisory body rather than an executive board like the War Industries Board. "So constituted," he asserts, "the proposed council would not encroach upon the functional autonomy of business nor project government further

into the field of functional administration. It would have none of the authority of a general staff arbitrarily to direct business operations. It would, rather, serve the purpose of a general board of strategy which would point out how diverse efforts could be coordinated and directed to the single end of keeping production and consumption in balance and maintaining the orderly march of economic progress." By Julius H. Barnes. *Harvard Business Review*, July, 1932, p. 411:9.

22 Points About Budgetary Control

The secretary of the Mullins Manufacturing Co. considers budgetary control under these headings: 1. Present Business Necessities; 2. Reduction of Operative Expenses; 3. Analysis and Planning Required; 4. Sales Survey; 5. Necessity of Master Budgets; 6. Sales Budget; 7. Budget for Bankers; 8. How Budgets Are Built; 9. Prevention of Waste; 10. Budget Places Responsibility Where It Belongs; 11. The Budget Represents the Best Judgment of Executives; 12. It Is a Safety Signal for the Management; 13. Conserves Resources; 14. Determines the Effect of Sales Production and Financial Policy; 15. Encourages Safety and Suggests Operation Economy; 16. Compels Management to Study Markets; 17. Compels the Management to Study Plans for the Economical Use of Material, Labor and Expenses; 18.

Means for Determining Extent of Financing the Company Will Require; 19. The Budget Provides a Mark to Shoot At; 20. Proper Accounting and Cost System Required; 21. Methods of Introducing Budgetary Control in the Plant; 22. Application in the Mullins Manufacturing Co. By Clifton Reeves. *The Foreman*, July-August, 1932, p. 15:2.

Trade Association Activities

A classification and statistical survey of the activities and services of 500 associations. *U. S. Chamber of Commerce*, 1932, 16 pages.

Survey of Current Business—1932 Annual Supplement

Over 2,100 statistical series are presented, covering practically all of the available measurements of economic activity issued by the Department of Commerce on a monthly basis. Monthly statistics are given from 1923 through 1931 and monthly averages for earlier years, since 1913, where available. The Survey of Current Business computes the indexes of domestic and world stocks, new and unfilled orders, agricultural, livestock and forest-products marketings, foreign trade, five and ten cent store sales and department store sales, by districts. *U. S. Department of Commerce*. 311 pages.

FINANCIAL MANAGEMENT

Dividend Programs Related to Depreciation

Figures are presented to show the working out of five selected dividend programs and to demonstrate that depreciation funds can be and often are misused as a result of the dividend program chosen. Several related subjects also are discussed, such as historical statements for interpretation of results, possibility of a current investment to current liability ratio, dividends that return parts of the original investment, and

depreciation funds spent by management. By E. G. Field. *Transactions of the A. S. M. E.*, July 30, 1932, p. 41:7.

Accounting for Branch Houses

Exact methods and procedures of branch accounting are discussed in the following four articles: Branch Accounting Methods, by G. W. Darrow; Method of Branch Accounting, by R. W. Saunderson; Cash Procedure for Branch Houses, by W. L. Jordan; A Scoring Plan as an Aid to

Management of Branch Offices, by Charles W. Tucker. Illustrative forms accompany the text. *N. A. C. A. Bulletin*, July 15, 1932, Sec. I, p. 1501:31.

Trade Acceptances

In view of the current suggestions and plans for more general use of trade acceptances, this explanation of the nature of trade acceptances and some of their possibilities should prove generally helpful. *Ernst & Ernst Weekly Bulletin*, June 28, 1932. 3 pages.

The Treasurer's Function

The duties of the financial staff are many and varied in a mail order-retail company, says the vice-president of Sears, Roebuck and Company. "In a business of such gigantic proportions, where new conditions develop almost daily, the subject of finance is both fascinating and intensive," he states. First briefly summarizing sales statistics, he discusses the treasurer's function and describes some of the unique methods which contribute the "fascinating" quality of the day's work. By E. J. Pollock. *Executives Service Bulletin*, August, 1932, p. 5:2.

The Soviet Banking System

The State Bank of the U. S. S. R. recently completed ten years of operation. There are no private banks in the Soviet Union. The banks constitute an integral part of the general planning system and operate in accordance therewith. They play an important role in the execution of the state budget, i. e., in the accumulation and redistribution of the national income.

One of the outstanding features of the Soviet banking system is the separation of short-term and long-term credit operations. The State Bank is the sole source of the former, while all long-term crediting is concentrated in four special banks. The Credit Reform Act of 1930 abolished the old form of commercial credit, substituting for it direct bank credit.

The bulk of the financing of capital construction in industry and electrification is by non-repayable credits, the greatest share of which has been supplied by the state budget. However, the industrial enterprises are obliged to pay into the bank a certain share of their profits, and as the many new plants and power stations come into operation, the share supplied from the profits of enterprises increase and budget credits decrease. *Economic Review of the Soviet Union*, August 15, 1932, p. 321:3.

Some Features of the Revenue Act of 1932

This article discusses some features of the Revenue Act of 1932 including Manufacturers' Excise Taxes, Sundry Excise Taxes, and Income Tax on Corporations. By Lee Perkins. *N. A. C. A. Bulletin*, August 1, 1932, Sec. I, p. 1539:19.

National Bank Note Circulation

A rider to the Home Loan Bank Act widened the note circulation privilege for national banks. Treasury bonds carrying an interest rate of 3½ per cent or less were made eligible as security for notes, thereby making possible a large addition to the bond secured currency. There is evidence that national banks intend to make use of their privilege.

With the addition of some \$875,000,000 of currency to the circulation as a possibility, there is interest in its possible effects. In a sense the movement is a retrograde step. When the Federal reserve system was launched there was the hope that it would mean the ultimate extinction of the inelastic bond secured currency. But that currency is still afloat to the extent of some \$670,000,000 with the possibility of being more than doubled if full recourse is had to the new and extended privilege. The law was passed as an emergency measure, in view of the deficiency in the supply of eligible paper caused by the continued decline in business and the vulnerable po-

sition of the reserve banks' free gold in the case of further heavy runs from abroad. The national bank circulation measure is also cloaked with an emergency provision, the widening of the circulation privilege being limited to a three year period.

Possible consequences are discussed. *Business Conditions Weekly*, Alexander Hamilton Institute, August 13, 1932, p. 1:2.

Operating and Earning Power Ratios of Electric Companies

That the earning power of both fuel-electric and hydro-electric companies improved greatly between 1920 and 1926, is brought to light in this analysis of the operating, capital turnover, and earning power ratios of 160 fuel-electric and hydro-electric companies for the period of 1920 to 1926. The capital invested in the fuel-electric units of the industry in the years studied was more productive of revenues than that invested in the hydro-electric units. *University of Illinois Bulletin No. 42*, May 17, 1932. 54 pages.

Releasing Bank Credit for Business Recovery

The recent country-wide movement of leading bankers and business men to en-

courage the use of trade acceptances as a direct means of stimulating the flow of impounded bank credit into commercial and industrial channels is described. Mr. Bean discusses advantages of substituting trade acceptances for open book accounts, affording the highest grade of self-liquidating paper, an ideal commercial bank investment, and as a basis for currency note issue. By Robert H. Bean. *Trust Companies*, July, 1932, p. 16:3.

Fundamental Relationships Between Price and Consumption of Electric Service

In this study which won the James H. McGraw Prize Contest for 1932, and the Henry L. Doherty Medal, the empirical data analyzed point strongly to the conclusion that there is a fundamental connection between price and consumption in the use of electric service. From all indications, rates that fail to recognize the psychological and economic reactions of the consumer to price and their subsequent influence on his consumption habits will not increase the use of electric service beyond a certain limit. By P. P. Stathas. *N. E. L. A. Bulletin*, August, 1932, p. 473:7.

Insurance

Group Insurance

Group life insurance, which has had a tremendous growth since it was instituted in 1911, has continued to expand, with every form maintaining and increasing its premium income.

One adverse factor, however, has been the poor experience under permanent and total disability clauses included in group life contracts, it is pointed out. The ratio of death claims as reported by eight leading insurance companies ranged from 64 to 70 per cent in the five-year period, 1926 to 1930, with the 1930 ratio of 68 about equal to the five-year average. There was a disproportionate increase in the total and permanent disability claims ranging

from seven per cent in 1926 to 12 per cent in 1930.

This increase is said to be the effect of the liberal interpretations of the disability clause by insurance companies, the greater attention paid by employers and employees to these provisions under group insurance, and the increasing difficulty insurance companies find in contesting claims which they do not regard as just. As a result of the steady increase in such claims, serious consideration is being given by the companies to restricting these benefits.

Mr. Graham further discusses the tendency, during the past five years, to provide coverages for group accident and health, accidental death and dismember-

ment, and annuities. By William J. Graham. *The Annals of the American Academy of Political and Social Science*, May, 1932, p. 40:6.

The Creation and Development of an Insurance Library

Suggestions are offered as to the organization, physical layout, personnel and classification of an insurance library, together with sources of information and lists of books recommended for initial purchase, classified according to different types of insurance. *Special Libraries Association*, 1932. 37 pages.

What Insurance to Carry

In determining what hazards should be covered by insurance, the buyer should be guided by three factors: frequency of loss, severity of loss and premium costs. Another consideration is the inspection service in such lines as steam boiler explosion. Insurance is usually carried on steam boilers not because losses are frequent, but because of possible severity of loss when it does occur, low premium cost and inspection service.

Citing an example where this test has given a negative answer, the author refers to power use and occupancy coverage. Frequently no insurance is carried for this

risk because premium cost is high; also, due to possibilities of replacing power from other sources, only a slight loss would be sustained. *Clients' Bulletin Service, Smith Insurance Service, Inc.*, June, 1932.

State Unemployment Insurance Bill Filed in Indiana

A bill providing for unemployment insurance supported partially by the state and partially by contributions from employers and employees has been placed on the docket of the Indiana State legislature. Payments up to 65 per cent of yearly income would be made to those who have been residents of the state for two years and have had employment for 40 weeks during that period. The benefit would not exceed \$10 a week or 50 per cent of the average weekly wage, whichever is less. In cases where the 50 per cent is less than \$5 a full benefit of \$5 a week would be paid.

Benefits would not be paid to those who are out of work because of misconduct, voluntary resignation or an act of fate affecting the place of employment. Loss of employment because of a wage or trade dispute, however, would entitle the worker to the insurance. *The Insurance Field* (Fire and Casualty Edition), July 14, 1932, p. 10.

OFFICE MANAGEMENT

Organization: Job Analysis, Employment, Pay, Tests

Personnel Management

This study of the problems of personnel management includes a discussion of such topics as interviewing, testing, job analysis and salary standardization, labor turnover, physical examinations, training and personnel research. *An address presented by E. W. Pollock at the Bank Administration Conference, American Institute of Banking Convention in Los Angeles, Cal.* June 6-10, 1932. 11 pages.

What About Shorter Hours for Office Workers?

Of the 318 companies reporting in a survey to obtain a snapshot photograph of what is happening to office working hours, 188 replied that they have made no change in working hours for office workers. Of the others, four have lengthened office hours to reduce costs. In 116, decreased office hours are in effect; 17 consider the change a permanent one; 32 are not pre-

pared to say whether the change is permanent or not; 37 announced the change simply as a temporary emergency expense reducing plan; and 30 made the change for the summer only. The other 10 companies have special plans in some departments or other arrangements.

About 80 per cent of those that have reduced working hours have done this by discontinuing work on Saturdays. Almost all have reduced clerical pay proportionately.

The New Hampshire plan, originated by Harold M. Davis, which provides for employing 10 per cent more people by job sharing through reducing the number of hours worked, is described in detail, as well as brief comments given on the American Telephone and Telegraph and E. R. Squibb & Sons plans.

These conclusions are drawn: Companies that use some form of 5 day or 35 hour week in the office find it is satisfactory. Some report no increase in costs. The experience of several extends back five years or more. Every historical comparison indicates that shorter working hours are coming in the office as well as elsewhere. There are signs that we are in a period when a marked reduction is taking place. *Management Methods*, August, 1932, p. 450:2.

Job Analysis

A classified and annotated bibliography, with abstracts of some articles and notes which suggest the point of view and emphasis, and the author's affiliations. *Supplement, Library Bulletin, Industrial Relations Counselors, Inc.*, 1932. 59 pages.

Administration: Regulations, Supplies, Communications

Midget Mike in Business

The midget microphone is being used in business as a flexible and inexpensive intercommunicating system. It is possible, for instance, for an executive wearing one of the microphones (which weigh only a few ounces) to speak directly with any department of his business, from any place in his

factory or office. Names of guests are announced through small microphones. Confidential instructions are given in this way. The microphone, especially the midget variety, has hundreds of uses in business and is being adopted on a wide scale by many kinds of organizations. The cost can be surprisingly small. *Credit and Financial Management*, August, 1932, p. 32.

Records: Forms, Charts, Cards, Files, Statistics

Envelope Letter Sheet for Employee Suggestions

The Pacific Telephone and Telegraph Company has a suggestion plan that functions throughout the organization, including the large office force. Each office is furnished with a set of the suggestion forms that are delivered direct to the general manager or some designated employee in his office. These forms (illustrated) are so prepared that they may be folded into an envelope that may be mailed with the company mail or sent by U. S. mail.

Suggestions are handled confidentially and a letter of acknowledgment is sent in

reply to each. The plan is especially valuable because many employees have ideas that, either because of prejudices of their immediate superior or for other reasons, they are hesitant about making known to the company. *Management Methods*, July, 1932, p. 403.

Duplicating Machinery

A discussion of the cost of mechanical reproduction, the considerations necessary before purchasing, and the types of duplicating machinery available. *Bulletin of the International Management Institute*, March, 1932, p. 45:3.

An Accounts Payable Routine That Saves Time

Standard Brands, Inc., has devised an accounts payable routine, built around a standardized set of ingeniously designed forms, which has achieved such accuracy that the time for closing the books has been reduced 50 per cent.

The essence of the plan lies in the design of the check voucher. This design allows a clerk, with a bookkeeping machine, to write the voucher while at the same time

posting a check register, charging expense accounts, and preparing the necessary information for an auditor. All essential records are prepared in a single operation. The check register becomes the credit side of the cash book; the expense ledgers are posted in detail and balanced; distribution sheets are eliminated; expense controls are reduced to a single account. The routine, which is quite simple, is explained in some detail. *Management Methods*, June, 1932, p. 343:2.

PRODUCTION MANAGEMENT

General: Promotion, Organization, Policy, Development

Costs Cut Nearly 50 Per Cent

A description of the centralized cost record system which controls expense items for the 2,000 vehicle fleet of The Pure Oil Company, by the general manager of the company's motor transport division. Report forms which keep accurate check on all costs for cars, trucks and trailers in this company's six territorial divisions are explained and illustrated. As told by Leo Huff. *Power Wagon*, August, 1932, p. 14:9.

and of the governments behind them. Theirs is the choice whether shipping will be placed on an economically sound and profitable basis, through cooperative effort, or whether the race for supremacy, backed and encouraged by nationalistic policies, will be allowed to continue to the detriment of the industry. By John S. Manuel, Jr., and William S. Manuel. *Harvard Business Review*, July, 1932, p. 524:9.

The Transportation Dilemma

The most important task today, insofar as national economics is concerned, is to coordinate the various transportation factors in such a manner as to change the present chaos into a balanced industry of transportation. A scheme is suggested for bringing about the coordination of rail, motor-truck and bus transportation. By Leon Cammen. *Mechanical Engineering*, August, 1932, p. 533:6.

International Cooperation as a Solution of the Shipping Problem

In view of the progress which has been made in international cooperation since the World War, the chances of important improvements in the shipping situation through cooperative effort seem good, particularly since the need is so vital. The limitation of further shipbuilding and the avoidance of wasteful, destructive competition are as urgently needed by commercial shipping as by armed navies. Nor can too much emphasis be laid on the fact that a sincere disarmament program must embrace the merchant as well as the naval marines of the world powers.

The future of the shipping industry lies in the hands of the companies themselves,

How and Why We Maintain Unity of Control

The Chairman and Managing Director of Grayson Metal Products, Ltd., explains in detail the "straight line" policy on which this organization is run. The manager's main contact with the business is through two working directors, one of whom is in

charge of production and the other of sales and market development, and also through the secretary who controls finance, and the office manager who attends to personnel and routine. Each of these men is supreme in his field. In all their actions they are directly responsible to the manager for results. The system is interlock-

ing in that every man is responsible for getting the work out. The responsibility is not divided, it is united.

Instant adaptability, sensitiveness to outside influences, easy cooperation, economy, personnel relationships are factors in this organization's policy discussed. By C. W. B. Grayson. *Business*, July, 1932, p. 7:2.

Training and Education: Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards

Cadillac Profits From Educating Its Foremen Systematically

Since 1928 foremen of the Cadillac Motor Car Co. have met weekly in 10 groups comprising 22 persons each to learn more about each other's problems, about economics in general and the company's business in particular. Round table conferences are under the leadership of the personnel director; textbooks prepared by the General Motors Institute of Technology are used.

Emphasis is put on starting the foremen's meetings on time and ending them promptly at the expiration of one hour. In this way there is no opportunity for a session to lag in interest, and foremen are away from

their posts in their own departments the same amount of time each week.

Working through this trained group of foremen, the company has been successful in securing the cooperation of the rank and file of its workmen in carrying out many constructive enterprises, including a waste elimination campaign. By Burnham Finney. *The Iron Age*, July 28, 1932, p. 137:2.

Engineers, Managers and Engineering Education

A discussion of the educational problems raised by recent occupational surveys. By William E. Wickenden and Elliott Dunlap Smith. *Mechanical Engineering*, August, 1932, p. 541:2.

Benefit Systems and Incentives: Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership

For Group and Unemployment Insurance see Insurance Section

Operation of Public Old-Age Pension Systems in the United States in 1931

More than 76,000 needy old people were being cared for by public pensions at the end of 1931. While 17 states had pension laws on their statute books at the end of 1931, the law had not been put into actual operation in two of these. About two-fifths of the counties in the other 15 states had adopted the system, and these spent more than \$16,000,000 for the support of their needy aged in 1931.

In four of the states the system is practically state-wide, while in the remaining 11 states the protection afforded by the law

ranges from less than one per cent of the state population (in Kentucky) to 80 per cent (in Montana). As would be expected, the spread of the system has been much greater in the states with "mandatory" than in those with "voluntary" systems. *Monthly Labor Review*, June, 1932, p. 1259:10.

Standard Oil of New Jersey to Sell Its Stock to Employees at Less Than Par Value Figure

The Standard Oil Company of New Jersey recently announced that employees may buy stock under its stock acquisition plan

at \$23.60 a share in the last six months of 1932. This is the first time that the company has offered stock to its employees at less than the par value of \$25 a share. In the first six months of this year the price was \$30.50 a share. *The New York Times*, July 5, 1932.

A Medical Program for 10,000 Employees and Their Families

The Medical Director of the Consolidation Coal Company prefaces this article

with a brief discussion of the economic background of industrial medicine. Then he describes in detail the unusually broad Consolidation program whose object is "The treatment and care of sick and injured employees and their families, the application of hygiene, sanitation and education, with the objective in view of preventing illness and keeping the employees of our communities in good health." By D. J. Kindel. *Executives Service Bulletin*, July, 1932, p. 7:2.

Employee Service: Hygiene, Recreation, Lunch Rooms, Stores, Safety

The Value of Organized Effort Against Accidents

Southern Pacific's experience convinces the Manager, Southern Pacific Steamship Lines, that "nearly every accident can be classified as a preventable occurrence . . . and that the prevention of accidents is a

managerial problem." His conclusions are based upon the profitable results of a scientifically planned safety campaign, which, waged for humane and economic reasons, brought about positive control of injuries to workers, cargoes and equipment. By S. I. Cooper. *Executives Service Bulletin*, May, 1932, p. 5:2.

Plant: Location, Lighting, Heating, Ventilation

"Hidden Treasure"

A careful survey by Cluett, Peabody & Co. of its indirect manufacturing costs revealed unsuspected sources of economy which may be found in maintaining proper balance between direct and indirect manufacturing costs.

The division of engineering, plants and equipment includes heat, power and light; general maintenance and also the factory general labor departments. These departments were conducted separately, although they reported to one general superintendent of maintenance. This, of course, meant that there was a foreman in charge of each of these divisions: carpenter shop, machine shop, electrical shop, plumbing shop and tin shop, as well as the factory general labor and the heat, power and light departments.

Working foremen were placed in charge of each of these departments, with such designations as head carpenter, head machinist, etc. As these men had been pro-

moted from the ranks in their respective departments, they assumed their portion of the regular work in the department involved and the company was able to reduce each man's staff by two or three workers. The maintenance superintendent now takes care of all supervisory work in each of these departments. Costs of operating these departments have been reduced about 40 per cent. Other economies effected as a result of the survey of maintenance activities are described. By R. S. Payne. *The Engineer*, July, 1932, p. 11:2.

Plant Maintenance

The most practical and successful method of finding the point at which an economic balance exists between maintenance effort and operating costs, is to establish a budget system whereby maintenance effort will necessarily be controlled by production schedules.

In the Mansfield plant of the Westinghouse Electric & Manufacturing Company,

the maintenance organization is divided into three groups—construction men, zone men and routine men—the expense of each group being absorbed by the various de-

partments where maintenance work is performed in line with budgets allowed. By H. W. Arlin. *The Foreman*, July-August, 1932, p. 16:2.

Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Immigration*

Company Earns Profit, Repays 20 Per Cent Wage Cut

When the 20 per cent cut in the pay of salaried employees of India Tire & Rubber Co. became effective last January, it was agreed to fund the entire amount of the reduction as a company reserve and if the organization, by its own effort, made the company profitable the first half year, the distribution of the funded reserve would follow. The full amount of the cut has now been repaid.

Factory employees, working 42 hours a week, in four six-hour shifts, are being paid an average wage only 7 per cent under the peak. Factory employees were called together and told that competitive conditions were forcing them into another wage reduction, unless the factory workers themselves could produce a plan for greater production. The four-shift plan was put in operation 10 days later. Mechanical maintenance cost has been cut 50 per cent. Outside of tire production, labor costs have been cut 67 per cent. Tire production is almost a tire a day per man better than it was in peak production. India is making more tires now than it did in 1929. *The Business Week*, August 3, 1932, p. 4:1.

What Is the Retiring Age?

At the present day the age of retirement in the various professions is fixed by purely empiric principles, being governed by legislation or custom representing a compromise between ancient tradition on the one hand and on the other the pressure of conflicting interests (the interests of the old, who desire leisure or else wish to retain their occupation or salary—the interests of the young, who desire rapid promotion). Nor are financial considerations

without influence in fixing the retiring age as far as the state is concerned, for the slightest modification in the prescribed age would result either in increased expenditure or increased economy.

"This state of affairs is irrational to the highest degree. We cannot expect a rational solution of the problem unless we take biological considerations as our starting point. The proper factor in fixing the age for retirement is not the actual age in terms of years but rather the true physical age of the worker, which is often very different from the age in terms of years."

Once it has been established, says the Professor of Industrial Physiology and Hygiene and Vocational Guidance at the Conservatoire National des Arts and Métiers, this theory of physical age will remain one of the fundamental principles upon which the rational organization of social life will be founded. *Bulletin of the International Management Institute*, March, 1932, p. 49:2.

Wisconsin Plans to Establish Unemployment Reserves

A discussion of the plan the State of Wisconsin has adopted to establish unemployment reserves, what proponents and opponents think of the measure, what voluntary plans outside the law have been evolved by individual and group employers. *The Iron Age*, August 4, 1932, p. 178:3.

Applying Piece Rates to Internal Transportation

The production manager of the Norwalk Tire and Rubber Company says that the application of piece rates to internal transportation in this company has reduced the cost of this item almost 40 per cent in

practically every department into which it comes. The company's aim has been to arrange this item of cost so that it will be directly proportional to the production of output of the plant.

The rate sheets for several of the transportation operations are illustrated. These data sheets are very specific. This is considered necessary in order that there will be no misapprehension as to the duties of each worker, and so that the foreman will know without question what is expected of him and his men. The company feels that this method of payment is an important step in the direction of economical production which is worth serious consideration. By Mathew Hutchinson. *Materials Handling & Distribution*, August, 1932, p. 15:2.

On German Cartels

A description of the characteristic features of the organization of German cartels and their development under the pressure of the present economic crisis. By Dr. Kurt Bloch. *The Journal of Business of the University of Chicago*, July, 1932, p. 213:10.

Is the Dismissal Wage a Solution for Technological Unemployment?

A presentation of the argument that the cost incident to displacing men by machinery ought to be considered and treated as an item in the employing company's cost of obsolescence. Industry bears the expense of scrapping obsolete machinery and

plants out of funds provided for the purpose in advance or from economies effected by their replacement with modernized equipment and buildings. Progressive managements are following increasingly the same course in the matter of obsolescence of jobs and men. Dismissal wage plans of the U. S. Rubber Co., the American Rolling Mill Co., Dennison Manufacturing Co., Hills Brothers, General Foods, the Delaware & Hudson Railroad and the Associated Oil Co., among others, are discussed. By G. T. Schwenning. *Forbes*, August 1, 1932, p. 13:2.

The Six-Hour Day in Industry

A plea for the permanent adoption of the six-hour day. By E. R. Wolfe. *The Foreman*, July-August, 1932, p. 13:1.

Forty-Hour Week Established by Standard Oil Co. of New Jersey

A 40-hour week has been established by the Standard Oil Co. of New Jersey for all its operations in this country, in order to provide all practicable assurance of continued employment, and to effect further economies in operation. Wage earners paid by the hour will continue to be paid on the basis of time actually worked, but the pay of executives and salaried workers is reduced one-eleventh, with the exception that no salary of \$100 or less per month will be affected. The change became effective July 1. *Monthly Labor Review*, August, 1932, p. 367:1.

Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study

Revamped Handling

Last year it was necessary to rearrange the feeder sections of the railway department at the Westinghouse Electric & Manufacturing Company's East Pittsburgh plant in order to manufacture motors which were to be used in the electrification of a railway. When the necessary changes were made, great care was taken by the plant planning and layout department to install

the most efficient handling facilities. Some of the outstanding changes are described and illustrated. By F. N. Norris. *Factory and Industrial Management*, August, 1932, p. 324:3.

Inventory Procedure for Material and Supplies

The essential functions for scheduling, planning and completing inventories are

described, but, in recognition of the fact that the type of stores record in use in various companies will affect inventory operations, several methods of comparison of and adjustments to stock records are included.

The following forms are illustrated: periodic check of material and supplies; report of inactive material; inventory schedule; inventory count card—stub type; inventory count card; permanent inventory record—individual stock items; physical inventory record—material and supplies;

reconciliation of inventory; detail of inventory reconciliation; and statement of physical inventory. Discussion accompanies the presentation of each form. *N. E. L. A. Publication No. 230*, July, 1932. 8 pages.

Time Study and Wage Incentive Plans

A study of the highly favorable experience of the Galion Iron Works and Manufacturing Co. with time study and a wage incentive plan. By Donald Townsend. *The Foreman*, July-August, 1932, p. 12:2.

Research and Experiment

The Financing of Research

The best tool for helping to reduce costs in the laboratory and elsewhere is efficient accounting. A comprehensive procedure for crediting the research accomplishments of a laboratory has not been evolved. Current practice, conceded to be in the developmental stage and hence tentative, is based upon the evaluation of only part of the results of research—upon the so-called tangibles that can be definitely credited against the expense of scientific investigation. In most instances, however, the intangible results of research are undoubtedly more valuable than the tangibles, and consequently it is not possible, at present, at least, to put an industrial research laboratory on a full accounting basis. The money expended for research should in all cases be recorded, and complete documentary evidence of intangibles included among assets should always be preserved.

In several manufacturing concerns all research costs, not including patent expense, are charges against operating expense that is written off currently as expended or at a later financial period, provided commercial products result from the expenditure.

The original value of a research project, such as a patent, is usually regarded as its cost (purchase price or developmental expenditure); and laboratory expenditures that have been directly unproductive of results are classed as indirect costs of such

patents as have been developed from time to time.

Budgetary control of a research department or laboratory is an effective mechanism for accomplishing successful coordination within the department and with other departments of the organization. This control, if adequate, directly reveals beneficial work, management defects, weak divisions and personnel, and opportunities. The compilation of these budgets should be done by the laboratory executive staff.

Scientific investigation cannot be charged ahead with the same accuracy as production. But the keen management of today requires reasonably close estimates of the cost of researches planned by the laboratory director and his staff, so as to determine whether the work can be begun, and, having allocated a definite amount of money for research, depends upon the director to spend this sum most advantageously. By W. A. Hamor. *The Chemical Trade Journal*, August 5, 1932, p. 123:1.

A Major Industry Which Is Based on a Farm Commodity

The Director, Corn Industries Research Foundation, discusses, in this article, the scientific research program which, combined with sound merchandising, "converted a simple cereal into one of the most valuable commercial raw materials of the day."

So successful has been this program, he points out, that today corn products are identified with "thousands of articles of daily essential use, ranging from lingerie and library paste to asbestos and the output of iron foundries." By H. E. Barnard. *Executives Service Bulletin*, August, 1932, p. 7:2.

Research Not Depressed

In a study made by The American Chemical Society, it was discovered that 51.3 per cent of the industries surveyed actually increased their expenditures for research in 1931. Of the remainder, 30 per cent reported a decrease and 18.7 per cent no change. The larger companies, which have the heaviest fixed charges to meet, show the least disposition to curtail their laboratory work. During the minor depression

of 1920 they dismissed investigating chemists and engineers, only later to recruit and train new staffs at heavy expense. Evidently the lesson learned then has not been forgotten. Research is now as much a function of a large corporation as manufacturing and selling. It is an insurance against technical surprises by competitors not to mention waste and the lowering of standards. *The New York Times*, August 15, 1932.

Buyers Want Better Values

How a rug manufacturer organized a product development and control department to meet the demands of better and better goods which suit today's pocketbooks. By A. Griffin Ashcroft. *Factory and Industrial Management*, July, 1932, p. 269:3.

MARKETING MANAGEMENT

Profit-Thinking in Marketing

The same factor that wins battles or athletic contests is needed to make profits—the will to win. The issue is planning *versus* chance, and planning is distinctly a mental pursuit. In the latter part of the 1920's General Motors Corporation converted a new mental approach into reality through organization, administration, planning and control.

Sales at a profit is stressed as one of the greatest problems before business today. What is vitally important is this month's and this year's sales and profits with reference to what they should have been. The importance of profit and sales budgeting and the placing of management on an incentive basis are emphasized. It is not a question with us of lack of anything which is material, for not a single thing essential to prosperity and business success has been lost. Our lack is a lack of straight, clear, clean, two-fisted "thinking" about the fundamental soundness of this great country and its institutions. By C. E. Knoepfel. *Marketing*, June 4, 1932, p. 261:3.

Graton & Knight Selective Selling Plan

This company has a well developed plan for helping salesmen to concentrate their efforts where they will produce the most profitable results. An important part of the plan is a form that is used for analyzing accounts in the territory and keeping record of the activity on each account. *Dartnell Sales Data*, August 6, 1932.

How to Commit Suicide by Cutting Prices

Depression or not, many businesses would either have a better profit position, or else avoid bankruptcy, if they were content to lose from 10 to 20 per cent of their sales volume rather than cut their prices to rock bottom.

"This may sound like a radical statement for these days, when prices are still tumbling all about us," says the assistant comptroller of Bausch & Lomb Optical Co. "Nevertheless, it would no doubt be found to be true if companies would only study their manufacturing and particularly their functional selling costs."

He explains how the sales manager can prove to his own and his directors' satisfaction just how much added volume is necessary to make up for even a trivial cut in price. For instance, a reduction in price of 10 per cent requires an increase of 11 per cent in units sold to return the original gross profit in dollars. A reduction in price of 20 per cent requires an increase of 25 per cent in units sold to return the original gross profit in dollars. A reduction in price of 25 per cent requires an increase of 33 per cent in units sold to return the original gross profit in dollars.

The answer to the average manufacturer's problem today is not a cut in price. The answer is creative selling. Developing a new merchandising idea, a new selling technique, improving the product, and similar steps, rather than cutting prices, will help the manufacturer get business. Lower prices have, for some weeks past, definitely lost their former degree of appeal to the general public. If the public is not responding to price, common sense dictates a return to quality appeal, to style and design promotion, and to the exploitation of those "plus values" in merchandise which in former periods of prosperity were so successfully employed to stimulate the buying urge. A straw in the wind is the action of the International Silver Company, which on July 1 raised the prices on their three principal lines from 10 to 18 per cent. Based on an interview with Edmond S. LaRose by Herbert Kerkow. *Sales Management*, July 15, 1932, p. 55:3.

Deficiteer, the Industrial Murderer

The chairman of National Bridge Works urges that a profit should be figured on every transaction, particularly by large corporations, which often knowingly lose money on competitive products. He is especially concerned over a class of industrial destroyer whom he flays as a "deficiteer,"—a class that is not disturbed by powerful companies on the score that a killer of small competitors is not unwelcome.

The demand of the hour in his opinion

is for fuller cooperation, particularly by large manufacturers whose independence or indifference has allowed the industrial parasites to exist. Unless there is intensive planning for profits, more salesmanship and less peddling, and business conduct within the economic as well as statutory law, we shall continue to have not merely unbridled but destructive competition. By Thomas J. Foster. *The Iron Age*, August 18, 1932, p. 249:2.

Market Research Sources

With the 1932 edition the title of "Market Research Agencies" is changed to "Market Research Sources." It is a classified guide to currently useful research results in the marketing field. *U. S. Department of Commerce*. 277 pages.

Organization of Selling by Telephone in a Swiss Wholesale Firm

The Frikart Company of Switzerland, a wholesale hardware establishment which keeps more than 25,000 articles in stock, guarantees its customers all over Switzerland that goods ordered will be delivered to the railway or postal authorities within 100 minutes from the receipt of the order.

Moving conveyors carry the order forms from the telephone through the bookkeeping department into the bills office, whence the bills, when made out, are similarly conveyed into the storeroom. Here, electric cars, which can be controlled from a distance, run on rails into the different divisions of the room.

Personal contact with customers is maintained by means of visits from travelers. Sales representatives receive commissions on the telephone orders received from their district. *Bulletin of the International Management Institute*, May, 1932, p. 79.

Cash and Carry Discounts

Compiled as the result of a nation-wide survey and questionnaire on the subject of cash and carry discounts which was sent out to laundryowners, this report answers

the following and other important questions: What rate of discount is allowed? Is the discount allowed on call office business only? Has discount brought more business to the plant? Has it reduced route business? What is considered the proper rate to allow? What is the percentage cost of collection and delivery? *Service Reports No. 11, Laundryowners National Association*, July 10, 1932. 10 pages.

Cheap Goods, Red Ink and Dilapidated Good Will

Manufacturers who weakened in the face of rampant price chiseling, and who made drastic cuts in the quality of their products, have learned a bitter and expensive lesson. For the vogue for cheapness lasted only long enough for the public to discover that cheap goods were dear at any price. The trend toward quality appeal is already evident. The president of McCormick & Co. concludes that further industrial improvement will come when manufacturers realize that American markets are not really cheap markets, and that the only sound and economic business policy is to deliver quality products at prices that make them values. By Willoughby M. McCormick. *Sales Management*, August 15, 1932, p. 134:2.

How to Plan a Market Research

This article in two parts describes in detail the technique of preparing the investigation, the gathering of the data, supervision of investigators, the analysis and tabulation of the results, and the drafting of the final report. Forms are illustrated. By H. G. Lyall. *Business*, June, 1932, p. 15:3; July, 1932, p. 17:3.

Chewing Gum, Candy and Weighing Machines

Lobbies of movie palaces, which used to be consecrated to oil paintings, statuary and Persian rugs, have for some time past been eyed resentfully as waste space by their owners. Some one desperately disregarded that atmosphere of luxury by

installing a penny weighing machine and a candy and chewing-gum-vending machine. Soon all the talkies had them, and though some have been discontinued, most lobbies are now supplied, for they have been found highly profitable. There are even some lobbies in which sandwiches and soft drinks may be bought. In one of the chain houses, the return from the machines were far greater in proportion than the profits from the pictures. *The New York Times*, July 11, 1932.

Common-Sense Distribution

Discussing the plan for selective distribution which Clarence Whitman & Sons, Inc., has instituted, the writer emphasizes the belief that, especially under present conditions, greatest profit lies in maintaining quality. For, he states, although much of all recent retail sales effort has been made to promote low-priced merchandise, "most people who are able to buy are not purchasing inferior goods." By A. E. Van Bibber. *Executives Service Bulletin*, August, 1932, p. 3:2.

Eggs That Are Being Laid in New Baskets

The present business recession has seen many manufacturers that formerly sold to the consumer market now selling to the industrial market as well, and *vice versa*. A number of concerns have long been diversified in both directions. The National Lead Company, Vacuum Oil Company, Westinghouse and General Electric are examples. The International Nickel Company, which has long supplied fabricators with nickel and nickel alloys for the fashioning of hundreds of products, has recently offered a kitchen sink made of monel metal to householders through the plumbing trade, with deserved success. The copper companies are also engaged in selling the consumer market, Anaconda and Kennecott being among the leaders.

When an industrial manufacturer goes in for a consumer product, he very often operates through a subsidiary. In this way

the new venture can be carried on with more independence than if it is tied too closely to the parent company. General Foods is among the manufacturers of consumer merchandise which are going in for industrial sales. An outlet for many of the by-products from its production processes is being found in industrial markets.

A serious drawback to a company selling both ways is the sales expense. The manufacturer should make sure that the additional business is large enough to justify all the expense that will have to be undertaken. By John Allen Murphy. *Class & Industrial Marketing*, August, 1932, p. 25:2.

Buying, Receiving, Storing, Shipping

Why I Do My Company's Buying

Paying higher prices may seem to be a peculiar way to attempt to save money but that is the policy Electric Hose and Rubber Company inaugurated recently. The results, as explained by the company's president, provide a powerful argument against price cutting. By C. D. Garretson. *Nation's Business*, August, 1932, p. 23:3.

425,000 Packages a Month

How International Shoe Company receives, stores and ships the output of 30 factories. *Factory and Industrial Management*, June, 1932, p. 230:3.

Will Quick-Frozen Foods Expand Through Auto Truck Distribution?

Truck distribution has grown, during the past four years, to the place where 11,000 distributors are operating between 35,000

and 45,000 trucks. Why frozen foods will probably adopt it as the most efficient method of reaching the retailer is explained. By R. W. McFadden. *Sales Management*, April 2, 1932, p. 10:2.

The Traffic Man Is an Integral Part of the Sales Department

In the rendering of sales service the part played by the traffic man represents a fundamental element, for freight rates are frequently the controlling factor in defining the boundaries of a sales territory. It is usually advisable to establish a distinct traffic division. The traffic man's job relates to tracing, rates and routing. Some examples of the value of the traffic man's services are given and economies effected by shipping in carload lots considered. By W. McLeod Orford. *Marketing*, July 2, 1932, p. 1:2.

Sales Promotion: Letters, House Organs, Advertising

You Have to Spend to Sell

Petroleum Heat & Power Company has just reported an increase of 16 per cent in unit sales and of three per cent in dollar sales for the fiscal year ended July 1. Also, this concern's earnings for the first three months of the calendar year 1932 were \$316,820, or nearly treble that earned in the first quarter of 1931.

With the building industry dull, Petroleum Heat & Power went after the established home market. With oil burners regarded in many quarters as an expensive luxury, the company has reduced its prices

40 per cent since 1929, and has inaugurated a sixty-month easy-payment plan, requiring as little as \$9 down, to put its Petro-Nokol burners into thousands of medium-sized homes. With oil burner demand supposed to be seasonal, Petro-Nokol is keeping factory and dealer organization functioning the year round, and is getting an increasing share of business in mild-climate sections below the Mason-Dixon line.

Instead of conserving funds, Petro-Nokol recently spent \$25,000 to develop a practical sales manual and portfolio; is increasing the sales force; is spending

\$300,000 annually in newspaper advertising alone, with nearly as much in direct mail and other advertising methods, on a dealer cooperative basis. The company's research and testing laboratories are spending money to bring out products designed to meet today's spending and living conditions: developing new units of oil burners and boilers in cabinets done in pastel colors to harmonize with the basement living room formerly known as the "cellar." Based on an interview with Morgan J. Hammers by Lawrence M. Hughes. *Sales Management*, August 1, 1932, p. 95:1.

Reports Advertising Curbed Hotel Losses

Hotels which decreased their advertising expenditures in 1931 experienced a greater loss of business on the average than those which maintained or increased them, according to a preliminary report made public recently by the Department of Hotel Administration of Cornell University, which is making a study of normal hotel operation. The hotels which increased their advertising suffered on the average a three per cent smaller decrease in room sales and a four per cent smaller decrease in restaurant sales than those which decreased advertising. *The New York Times*, August 6, 1932.

Motion Pictures Find Increasing Use in Business

Motion pictures are conclusively demonstrating their worth to an appreciable number of well-established industrial concerns using them for trade promotion and educational purposes, a recent survey reveals. Films are being utilized to illustrate the operation and use of products, manufacturing processes, dramatization of sales, and for other results, often preparing the background for sales efforts.

The study reveals that silent motion pictures are used far more generally than other types of films, but it is observed that sound films are making rapid progress in entering a field that had been for many

years completely dominated by the silent film. Nearly half the silent pictures are used to show operation and use of products, while 40 per cent employed them to demonstrate manufacturing processes. Only four per cent were used for dramatization of sales, but sound films were more widely used in this field.

Users of sound films said they spent 11 per cent of appropriations for advertising and sales promotion on motion picture activities, against only three per cent for users of silent movies. *U. S. Daily*, August 16, 1932.

Localized Campaigns Make G-N Flakes "Best Seller"

Grape-Nut Flakes, a depression-born product, has attained a foothold in the breakfast food market in a remarkably short period of time. Intensive localized campaigns combining personal sales work with dealers and distributors, and newspaper advertising, were the basis of the introductory sales plan. *Sales Management*, August 1, 1932, p. 104:2.

We Sought and Found Business Just Around the Corner

The Swann Corporation decided not to wait for the arrival of prosperity but to go out and determine for themselves where business was hiding. A plant-by-plant survey of the chemical needs and buying habits of industry was instituted. So far, the investigators have made more than 6,000 calls in 23 states.

The chief benefit of this survey lies in the picture it has given the organization of the chemical market—a picture made up of these component parts: 1. An evaluation of real prospects, potential prospects and actual "duds"; 2. A sales "assist" and guide to further research; 3. An analysis of the competitive situation; 4. A determination of the location of business as a step toward cheap and efficient distribution; 5. An interpretation of the needs for new products and new uses for existing products.

The president of the company writes:

"We went into this undertaking because it seemed to us the best defense against economic pressure. . . The survey paid for itself in new business. It has given us new specific objectives for research develop-

ment—probably more important in years to come than the more tangible evidence of immediate sales opportunities." By Theodore Swann. *Executives Service Bulletin*, August, 1932, p. 1:2.

Salesmen: Selection, Training, Compensation

Paying Salesmen by Profits

As an incentive to salesmen to concentrate on fewer and more profitable lines, Automatic Service, Incorporated, now bases compensation on gross profits as well as sales volume. This plan, put into effect a year and a half ago, has brought about three important results: 1. It has more than quadrupled stock turnover; 2. Besides concentrating on the more profitable lines, the salesmen work their territories intensively, making an average of 18 calls a day, as compared to 13 to 15 calls in the past; 3. Slow moving and non-profitable lines have been reduced to low minimums, and a point has been reached where obsolete merchandise in stock now amounts to only a half of one per cent of the total stock inventory.

A special form is used in which the sales and gross profits of each line are itemized daily, along with the costs of such merchandise and percentage of profit. This form, known as "Analysis of Sales and Cost of Sales" is used also to supply the salesman with semi-monthly records of his sales. At such time the same form is used to recapitulate sales in all territories for all lines, and to figure the average gross profits on the total. *Management Methods*, August, 1932, p. 460.

What Is Your Mileage Expense?

A check up of manufacturers employing salesmen calling on wholesalers reveals the following range of mileage allowances: 5 cents and 6 cents per mile for light cars, and 8 cents and 10 cents for larger, faster cars. Long runs between extreme southern and northern points on the west coast frequently run up mileage allowances of \$25 to \$40 a day.

An itemized report of the operating cost of thirty-one automobiles used by salesmen during year 1931, together with comparisons of operating costs of thirty-eight cars used during year 1930 is presented in tabular form. The plan of operation of salesmen's cars used by thirty-one companies is analyzed as to the type of car, number in fleet, miles traveled, who owns the car, plan of operation, that is, whether fixed allowance, itemized account or mileage allowance, and other items. Reprinted from the April, 1932 issue of *The Sample Case*, United Commercial Travelers of America. 2 pages.

How Wrigley Maintains a "Flexible" Sales Organization

An interesting sales setup in which the entire sales organization may be switched, almost overnight, from one class of work to another without lost motion is a plan reported by the Wrigley Company to have proved particularly helpful in selling under present conditions.

This concern operates a sales organization of approximately two hundred salesmen who work closely with jobbers and their sales forces. This work is mostly of the detail type in which the company salesman accompanies the jobber salesman into the field to assist him in increasing sales. In other instances the company salesman works alone developing business for the jobber with whom he is cooperating. With this setup the entire sales organization may be easily shifted from one class of work to another without any confusion or loss of time. Thus the sales force is kept, at all times, in a "flexible" condition ready for emergency.

For example, if for any reason it becomes expedient to switch salesmen from the work of calling on retailers, and to start them on an intensive drive on jobbers this can be done overnight by the issuance of necessary instructions from the various headquarters out of which the salesmen work. With this particular work completed the entire force can be switched

back to detail work with retailers without slowing up their efforts in any way.

At the present time all salesmen of this concern operate out of three major branches. Such sales organizations are under the direct supervision of branch managers who are responsible for their efforts and their production. *Dartnell Sales Data*, August 6, 1932.

Retailing

Chain Stores Meet the Depression

While, during and since the year 1930, a number of new stores were opened where the demand for them was clearly apparent, in general, since 1929 most chain store companies have concentrated attention upon the consolidation of existing facilities. A large number of unprofitable stores have been closed; to a considerable extent, over-

lapping facilities have been eliminated, and the general policy has been to secure increasing sales volume through units which have proved, in periods of prosperity and depression alike, to be genuinely productive. The present period of consolidation rather than of extension should prove beneficial to our entire system of retail distribution. *The Index*, June, 1932, p. 123:6.

Wholesaling

Distribution Plan for Dry Goods Body

A plan of selective distribution designed to strengthen the relationship of manufacturers and wholesalers and to restrict the number of competitive outlets through which mills are now selling was offered recently by the associate membership, composed of producers, of the Wholesale Dry Goods Institute. The plan recommends that manufacturers accept the wholesaler as the

principal distributor of their products, provided he accepts the function and responsibilities of a distributor; protect the distributor in the form of a price differential; make sales to department stores under a definite program and with the knowledge of the logical wholesale distributor, and assist the distributor in every possible way in the promotion of his product. *The New York Times*, July 15, 1932.

Books Received

Memoranda on International Trade and Balances of Payments—1927-1929.

League of Nations, Geneva.

Vol. I.—Review of World Trade, 1930. 119 pages. \$1.00.

Vol. II.—Balances of International Payments, 1931. 215 pages. \$1.50.

Vol. III.—Trade Statistics of Sixty-Four Countries, 1931. 368 pages. \$2.50.

Selected Documents on the Distribution of Gold Submitted to the Gold Delegation of the Financial Committee.

League of Nations, Geneva, 1931. 67 pages. 50¢.

The Personnel Classification Board—Its History, Activities and Organization.

By Paul V. Betters. Brookings Institution, Washington, 1931. 160 pages.

Survey of Retailing Practices. Vol. I and Vol. II. Practical Plans and Methods for Meeting the New Competition. Prepared with the cooperation of more than 3000 wholesalers, manufacturers and retail merchants. Dartnell Corporation, Chicago, 1931. Vol. I—239 pages. Vol. II—239 pages. \$3.75 for each volume—or—\$6.35 for set of two volumes.

Interim Report of the Gold Delegation of the Financial Committee. League of Nations, Geneva, 1930. 120 pages. 75¢.

Unemployment and Public Works. International Labour Office, Geneva, 1931. 186 pages. \$1.00. (American agent—World Peace Foundation, Boston, Mass.)

Investment Trusts. By Dr. Hans Seischab. C. E. Poeschel, Stuttgart, Germany, 1931. 228 pages.

A Solution to the Appreciation Problem. By William B. Castenholz. La Salle Extension University, Chicago, 1931. 95 pages. \$1.00.

"How's Business?" By Merle Thorpe. Harper & Bros., New York, 1931. 202 pages. \$2.50.

Economic Behavior. Vol. I and Vol. II. By Members of Department of Economics, Washington Square College, New York University—Willard E. Atkins, Donald W. McConnell, Corwin D. Edwards, Carl Raushenbush, Anton A. Friedrich, Louis S. Reed. Houghton Mifflin Co., Boston, 1931. Vol. I.—559 pages. Vol. II.—520 pages.

Population. Number and Distribution of Inhabitants. Vol. I. Fifteenth Census of the United States. U. S. Department of Commerce, Washington, 1931. 1268 pages. \$2.00.

A Directory of House Magazines—1931. Classified alphabetically and by lines of business. Compiled and published by Postage and the Mailbag, Inc., Brooklyn, N. Y., 1931. 56 pages. \$3.00.

Survey of Books for Executives

Japan—An Economic and Financial Appraisal. By Harold G. Moulton. Brookings Institution, Washington, D. C., 1931. 645 pages. \$4.00.

Although Dr. Moulton's study was suggested by a high official of the Japanese government, and was designed to give Japan an objective and critical view of her present situation and outlook, it is likely to be no less valuable to Americans than to the people of Japan. If we are to understand the recent undeclared war between Japan and China, and its international consequences, it is essential that we have accurate knowledge of the economic conditions, development and policies of the Nipponese Empire. This the present report gives us in summary and compact form, and with a directness and simplicity of interpretation that economic laymen will appreciate.

Beginning with a short historical summary, the book proceeds in Part I to explain Japan's system of government, its colonial administration and political parties, and the geography and resources of

Japan proper and its colonies. The main story of the economic development of the Empire is then given in twelve chapters which make up Part II of the book.

Part III is devoted to integration and interpretation of these data; and for Americans the penetrating comments and comparisons in the ten chapters of this section of the book are perhaps more significant and valuable than the facts themselves. The concluding Part IV deals with the special problems that face the Japanese people at present and the policies by which they may be resolved. Several appendices give detailed statistical tables and an analysis of Japan's international debt and investment position.

Since the overthrow of the shogunate and the restoration of the Emperor to the position of an active ruler in 1868, Japan has been transformed from a feudal nation to a modern industrial empire, wealthy and powerful enough to become one of the half dozen leading world powers. What it took western Europe and America several hundred years to accomplish, Japan has done

in about half a century. With a productive area of approximately 23,000 square miles, the size of the State of West Virginia, it has been able to increase its population from 35,000,000 to about 65,000,000 in this period, and to raise the standards of living for its people besides.

"By what process of economic alchemy have the resources of nature been made to yield so abundantly?", the author asks. And the answer to which he points is plain and uncontradictable. Not free business enterprise, not individual initiative and private efforts, but government enterprise, government planning and execution are responsible for the economic miracle that is modern Japan. For great as has been the economic progress of the United States, which we like to ascribe to private enterprise and initiative, Japan's economic advancement has been greater still under a policy of government tutelage and government interference with business which seem so unsound and unwise to us.

American industrial management has much to learn from this experience of Japan. What might we not have accomplished if we had been able to coordinate the efficiency of the individual business, which our policy of private enterprise developed, into a purposeful national economic organization by means of government planning, leadership and control? Perhaps the spectacle of starvation amid plenty might have been avoided. Not that Japan has solved its problem of poverty. Far from it. And the fact of its increasing population clearly indicates more serious problems of unemployment in the future. But its poverty is primarily a problem of scarcity rather than of plenty as it is with us.

Perhaps Japan's difficulties are due to its policy of turning over to private ownership the industries that government initiative and enterprise have developed. Perhaps they are due to the weakness of human character and lack of knowledge that remain under any system of economic organization. In any case we have much to learn from Japan's experience, and if it

could teach us that freedom of the individual business unit to do as it pleases is not the last word in sound economics, that alone would be an invaluable lesson.

On the other hand, Japan's experience makes plain that national planning and a publicly directed national development is not an invention of Bolshevism and we do not have to embrace Communism as the only method by which a rationally ordered economy may be achieved. Social planning is possible under various forms of economic organization, once we do away with the superstition that the freedom of the individual business man or corporation is a divine right, ordained as the one natural law of economic progress.

Industrial managers and all those who are seeking light on principles of economic progress that might lead us out of the morass in which the business world now finds itself, will find this documented, scientific study of the development of Japan as an industrial and commercial nation helpful and stimulating.

W. M. LEISERSON, *Professor of Economics, Antioch College.*

The Commercial Paper Market. By Roy A. Foulke. Bankers Publishing Company, New York, 1931. 267 pages.

The purpose of this book is to give authoritative information covering the entire field of activity of open market commercial paper. Such topics are covered as: Types of Concerns Using the Open Market; Advantages and Disadvantages to the Borrower; the Buyers of Commercial Paper; Yearly Comparison of Commercial Paper Losses; The Commercial Paper Broker; How the Commercial Paper System Operates; The Theory of Commercial Paper and the Open Market; The Specialized Finance Company; The Evolution of the Open Market.

Four appendices accompany the text: Analysis of the Composite Financial Statements of Seventy-two Specialized Finance Companies for 1926 and 1927; Analysis of the Composite Financial Statement of the Entire Specialized Finance Company In-

dustry for the Year 1926; Blanket Guaranty; Commercial Paper Outstanding, 1918-1930 by Months.

Many of the forms illustrated in this volume were evolved by the National Credit Office to meet the particular needs of analyzing the credit risks of open market borrowers.

A Basis for Stability. By Samuel Crowther. Little, Brown and Co., Boston, 1932. 360 pages. \$3.00.

In interviews with the author, twenty-one leaders of American industry tell of the current problems of their own businesses, of what they can do, and of what they are doing to meet them. The following, among others, are represented: Myron C. Taylor, Alfred P. Sloan, Jr., Henry Ford, Walter C. Teagle, W. W. Atterbury, Frederick H. Ecker, G. F. Swift, Howard Heinz, Clarence M. Woolley, George A. Sloan, Samuel W. Reyburn, J. C. Penney.

Unemployment Benefits and Insurance. National Industrial Conference Board, New York, 1931. 127 pages. \$2.00.

This is a survey and analysis of existing and proposed plans of unemployment relief through insurance or other methods. Certain definite conclusions regarding the possibilities and the limitations of insurance as applied to unemployment are drawn:

1. The hazard of unemployment is largely uninsurable. Insurance must be effected on a mathematical basis, but an analysis of the several types of unemployment discloses that in general the conditions which determine them do not permit mathematical computation.

2. It is possible, however, to apply insurance principles to unemployment if the insurance plan is definitely limited in coverage and is held strictly within the limits laid down at the start.

3. While a private unemployment insurance plan could, under proper management, be kept within the limits essential to successful operation, experience shows that this is not practicable in the case of a gen-

eral plan of compulsory public unemployment insurance.

4. The development of private unemployment insurance plans represents at best only a partial solution of the social problem of unemployment.

5. Unemployment insurance is not immediately applicable as a remedy for the present unemployment emergency, which must therefore be met by relief measures, and these should be frankly recognized and represented as such and not camouflaged as insurance.

6. Unemployment insurance must be regarded merely as a partial palliative of the hardships of unemployment, not as a cure.

A Primer of Money. By Donald B. Woodward and Marc A. Rose. McGraw-Hill Book Company, Inc., New York, 1932. 261 pages. \$2.00.

After the many onerous books on monetary theory, this one comes as a refreshing relief to the lay reader who really wants to know what the whole monetary system and its complications mean. The gold standard, bimetallism, inflation, deflation, the relation between prices and money, the Federal Reserve System, the relation between the Government and banking, and similar topics of general interest, are explained in a manner which enables the person untrained in economic theory readily to grasp the fundamental principles and theories underlying the entire monetary system.

M. R. L.

Bank Management—A Case Book. By J. Franklin Ebersole. McGraw-Hill Book Co., New York, 1931. 636 pages. \$5.00.

Factual illustrations of important problems that must be faced and properly solved for successful bank management are presented in this book. With few exceptions, the cases are taken from actual banking practice and proceed within each section from the simple to the more complex. Among the problems treated are the making of sound loans and investments; main-

taining a proper degree of liquidity; expansion and development; general administrative and miscellaneous problems; co-operative control; and public supervision.

The Real Truth About Short Selling.

By J. George Frederick. Business Bourne, New York, 1932. 255 pages. \$4.00.

The author of this treatise maintains that the economic value of short selling is largely mythical. He contends that short selling ought to be regulated but not abolished. His three reform proposals are:

1. That short sales on borrowed "Street" stock be prohibited whenever the Business Conduct Committee of the Exchange decides that liquidation has become general and when it is evident that public confidence is in a depressed state.

2. That the statistics of short selling be published regularly, as part of the data useful for studying the position of the market; and that they be given in the fullest detail, for they are legitimate market indicators.

3. That the present Exchange rule, that short sales be at a price no lower than the last quotation of sale for long account, be continued permanently.

Business Statistics. By John R. Riggleman and Ira N. Frisbee. McGraw-Hill Book Company, Inc., New York, 1932. 707 pages. \$4.00.

Part I of this volume contains a technical discussion of statistical methods. Part II is devoted to the subject of the practical application of statistics in business. While the book has been designed primarily as a textbook for students, yet there is considerable information contained therein which will prove helpful to those who are already in business. For example, the chapters on Marketing Analysis and on Executive Control and Management Statistics contain information of real benefit to those who are interested in these subjects. There are appendices on: Schedule and Questionnaire Forms; Mechanical Aids

in Statistical Work; Statistical Drawing and Lettering; Outline of Local Commercial and Industrial Survey; Preparation of Statistical Reports; How to Use Logarithms.

The authors have spent considerable time in testing the statistical methods which are suggested in the book. They have also had the advantage of expert advice on the various specialized fields which have been covered.

M. R. L.

Regulation of Public Utilities. By Cassius M. Clay. Henry Holt & Company, New York, 1932. 309 pages. \$3.50.

This volume touches one of the sensitive spots of the body economic—the fair regulation of public utilities. The author, who is a member of the New York Bar, has sought to present the broad outlines of the subject to the non-technical reader, aiming, as he himself says, "to be incisive rather than technical, to condense rather than to expand, in the hope that by thus broadening the scope of the inquiry, a sense of perspective might be gained . . ."

Part I of this book is concerned with the legal approach to rate regulation as a crucial problem in constitutional government involving the question of an appropriate distribution of power between the courts, legislative bodies and regulatory commissions. Part II considers the proper division of regulatory authority between the states and the Federal government, giving special attention to holding companies. In both parts the author "has endeavored to show neither fear nor favor."

Tested by the standards which the author has set for himself, Mr. Clay has done a praiseworthy piece of work. While he has emphasized the legal phases of his subject, he has not forgotten the fact that public utility regulation is rooted in the economic and social phases of our industrial civilization. On moot questions both sides are fairly portrayed. In brief, this is a book that no business man can afford to miss, and it would be a laudable enterprise to

place a copy of it in the hands of the various public service commissioners and administrative officers of the federal and state governments concerned with the regulation of public utilities.

While the book lacks an index it has a selected bibliography of genuine merit. The notes at the end of each chapter are trenchant and pertinent.

FRANK PARKER, *Professor of Finance,*
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Money for Tomorrow. By W. E. Woodward. Liveright, Inc., New York, 1932. 315 pages. \$2.00.

In "Money for Tomorrow," Mr. Woodward has compiled and put into readable form a mass of statistics and facts relating to the subject of current economic conditions, and a proposal for the cure of the present business ills. The first eighteen chapters are devoted to a detailed recital of the factors contributing to the depression. He bemoans the variations in stock and commodity prices. "Values should be determined by use or service." Pyramiding of security values and business credits are notable causes for an abundance of criticism of capitalistic civilization. The author's attitude is exemplified by such expressions as "it (capital) contains a menace to civilization" and "There should not be any private ownership of land anywhere." His conclusions and cure are forecast in the words, "We can never put a stop to long and disastrous depressions until we devise a workable formula for stabilizing the price level."

The super sales efforts of the generation with their installment sales and mortgages are decried as a prop to the price level. The "Savings Fallacy" and the "Competition Fallacy" are fully discussed and accepted. The comparison of wages with the value of dollar shows that the wage increase has not been as real as apparent. Foreign relations, the purchase of foreign bonds, the war debts and reparations are set forth as a further cause of our troubles.

The suggestion of a governmental lottery to fulfill American gambling instincts rather than to exercise them in the stock market shows by comparison the author's opinion of the stock market.

The consequences of the deflation concludes a review of conditions whose almost fatalistic air is not dissipated by a short recital in the last two chapters of the proposals for betterment. The purpose of the first part of the book is to show "the segregation of profits and the consequent inability of the great mass of our population to buy the products of their own toil."

The author proposes for immediate remedial measures the raising of price levels by a modified dole in the form of a loan rather than a gift and the adoption of the "McAdoo tariff plan." For the future he proposes the creation of monopolies with limited profits in all the basic industries. "The creation of an economically sound planning system and the erection of monopolies under governmental supervision, would be the first steps toward the socialization of industry." Also the corporation laws should be modified so all corporations doing interstate business would be Federal corporations. The results and advantages of the changes are not so completely expounded as the description of the situation itself.

The book is worth reading by business men as an expression of what is in the minds of men concerning conditions of today. The diction is superb and the argument set forth in terse and understandable form. The free conversational style adds a personal touch which gives the effect of shortening what would otherwise be a dry and uninteresting dissertation. The sarcasm of parts does not add to the dignity and effectiveness of the presentation. The ultimate impression is that the author has grasped an opportunity to criticize severely every real or imaginary contributing cause to the depression, and incidentally mention a few immature socialistic ideas for the prevention of depressions.

C. M. JESPERSON, *Treasurer,*
The Swann Corporation.